

REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

INVESTIGATIVE REPORT ALLEGED MISCONDUCT IN THE DEPARTMENT OF COMMUNITY DEVELOPMENT, HOUSING BUREAU, NEIGHBORHOOD REVITALIZATION PROGRAM

INVESTIGATIVE REPORT 09-06

DECEMBER 14, 2009



December 14, 2009

Councilwoman Joyce Bowman
Chairman, Shreveport City Council

Dear Councilwoman Bowman:

Subject: **INVESTIGATIVE REPORT IR09-06: ALLEGED MISCONDUCT IN THE
DEPARTMENT OF COMMUNITY DEVELOPMENT, HOUSING BUREAU,
NEIGHBORHOOD REVITALIZATION PROGRAM**

A copy of the subject report and a summary of work performed is attached for your information and any action deemed appropriate by you.

This file will remain open until you notify my office regarding further action on your part.

We are willing to supply any assistance and documentation you may require in this matter. Should you have any questions or comments, please feel free to contact me.

Sincerely,

Leanis L. Graham, CPA, CIA
City Internal Auditor

c: City Council
CAO
City Attorney
Clerk of Council
Director of Department of Community Development
Caddo Parish Sheriff's Office

**INVESTIGATIVE REPORT
ALLEGED MISCONDUCT IN THE
DEPARTMENT OF COMMUNITY DEVELOPMENT,
HOUSING BUREAU, NEIGHBORHOOD REVITALIZATION PROGRAM
INVESTIGATIVE REPORT (IR) 09-06**

INTRODUCTION

The Internal Audit Office is submitting results of a preliminary investigation regarding alleged misconduct in the Department of Community Development, Bureau of Housing, Neighborhood Revitalization Program. Procedures that were used to conduct the investigation included, but were not limited to: inspection and observation of rehabilitation work performed, surveys of homeowners regarding rehabilitation performed, voluntary interviews of homeowners, interviews of department and other appropriate personnel, examination of project files and records, and other such evidence-gathering procedures as necessary under the circumstances.

In conducting the inspection of the rehabilitation work performed, we hired and relied on the opinion of a certified building official who provided his written expert opinion regarding the rehabilitation work performed.

BACKGROUND

In August 2009, the Caddo Parish Sheriff's Office arrested:

- ♦ Three (3) inspectors employed by the Community Development Department for filing false public records regarding certain projects in the Limited Repair Program.
- ♦ Four (4) contractors for the Community Development Department who performed work under the Limited Repair Program for various charges including contractor fraud, filing false public records, and contracting without a license.

Our investigation was initiated as a result of a directive by the City Council Chairman instructing our office to perform further work to determine the extent of any additional alleged misconduct within the Department of Community Development. Because of the ongoing criminal proceedings regarding the projects identified by the Caddo Parish Sheriff Office, we did not review any of those projects.

SCOPE AND METHODOLOGY

The scope of our review was rehabilitation work conducted through the Neighborhood Revitalization Program in years 2008 and 2009. We sent a survey to all homeowners who received assistance in the Neighborhood Revitalization Program for years 2008 and 2009.



Based on the responses we received, we inspected 37 houses to determine if work was done in accordance with the work specifications. The following documents the results from those inspections as determined by the specialist we hired to ascertain if the work was performed according to the specifications.

RESULTS

I. Projects Where Some Part of the Rehabilitation Work Was Not Done

Based on the opinion of the specialist we hired and our review of payment files, at least 30% (11 of 37) of the residences in the Neighborhood Revitalization Program had some amount of work that was not done, although the contractor was paid for the work. The following images document instances identified where payment was made for work that was not performed.

◆ Project 08243-“Limited Repair”

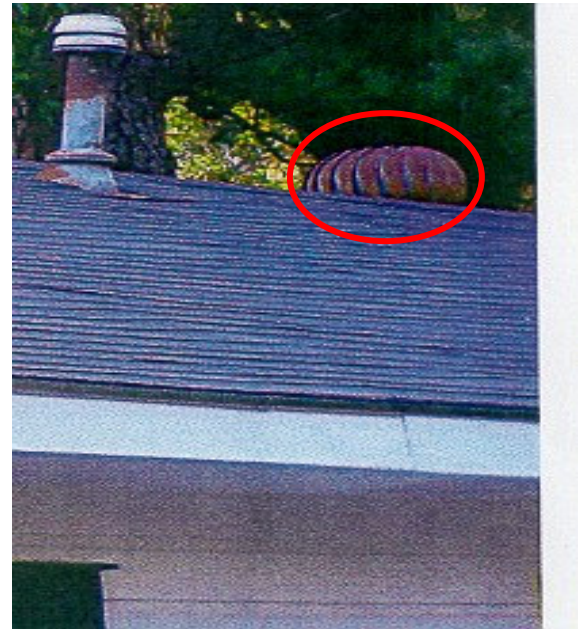
This was a “limited repair” project. The specifications called for the base cabinets to be replaced. As shown in the photos below, the countertops were replaced, but the base cabinets were not replaced.





◆ **Project 08248-“Raise the Roof”**

This was a “raise the roof” project. Turbines on the roof were not replaced, although the specifications called for them to be replaced and contractors were paid for replacing them. Turbines help to maintain proper ventilation on roof and keep the roof in good condition. Turbines also help keep the house cool. Pictures below show two photographs in different views of rusted turbines that had not been replaced.



◆ **Project 08325-“Limited Repair”**

This was a “limited repair” project. The images below show that the door installed was not a pre-hung door as required by the specifications. This door is a plain door, which is less expensive than a pre-hung door.





◆ **Project 09024-“Paint Your Heart Out”**

The specifications required the window screens be replaced for the kitchen window and the rear sliding door. Additionally, exterior siding tiles were to be replaced. These items were not done although the contractor was paid for this work.





◆ **Project 08115-“Paint Your Heart Out”**

The specifications required this window sill to be replaced for a “paint your heart out” project. The picture shows that this was not done. The specialist stated the wood appears rotted, soft, and spongy, which is an indication that it was not replaced.





◆ **Project 09030-“Paint Your Heart Out”**

The specifications required contractor to refit/rehang door at rear of the house at carport and replace exterior trim. The bottom of the door was not level, and sloped, an indication it had not been refit or rehung. Additionally, the bottom picture shows where the exterior trim was not replaced.





◆ **Project 09336-“World Changers”**

The specifications required that windows screens and siding be replaced. This was not done although the contractor was paid for this work.





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◆ **Project 09120-“Emergency Repair”**

This was an “emergency repair” project. The specifications required that new shoe molding be installed. This was not done although the contractor was paid for this work.



◆ **Project 08117-“Paint Your Heart Out”**

This was a “paint your heart out” project. The specifications required that the fascia on two windows be replaced. This was not done although the contractor was paid for this work. This picture shows one of the windows that was not done. This project was performed at the same residence as the above project.



Additionally, the specifications required that the soffit be replaced. This was not done although the contractor was paid for this work.



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◆ **Project 08032-“World Changers”**

The specifications required a new hot water heater door. No new door was constructed.



◆ **Project 09232-“Paint Your Heart Out”**

The specifications required that loose bricks needed to be attached. This was not done.





♦ **Project 08101-“Emergency Repair”**

This was an “emergency repair” project. The base trim in the interior was not installed as required by specifications.



♦ **Project 08105-“Paint Your Heart Out”**

This was a “paint your heart out” project and the specifications required that the shutters be replaced with plastic shutters. This was not done. The inspector noted the shutters were wood shutters and appeared to be original to the house. This project was performed at the same residence as the above project.

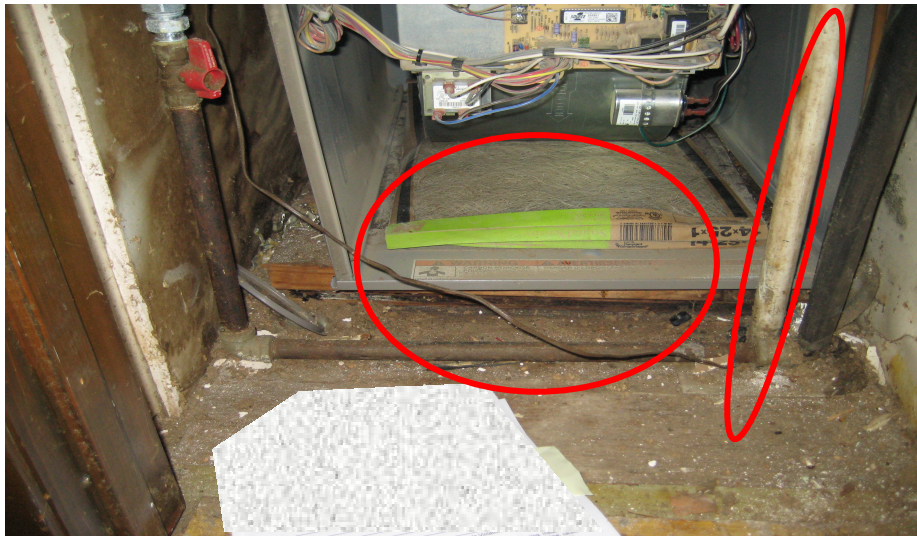




II. Projects Where Work Performed Caused Health and Safety Issues

◆ Project 09104-“Limited Repair”

This was a “limited repair” project where an HVAC system was installed. No chamber was installed for the air filter here or in the grate. As a result, the dirt and debris shown in the picture could get pushed up through the system and create a potential fire hazard and exhaust hazard. In addition, the placement of the condensate lines made it hard to open and close the HVAC door. If the dirt and dust were pushed through the gaps in the door, this could cause a potential fire hazard as well.



◆ Project 08254-“Emergency Repair”

This was an “emergency repair” for replacing a roof. This picture reveals a leaking hot water flashing that was leaking into house from the roof. The leaking could potentially cause structural damage, hot water heater damage, cosmetic damage, and floor damage.





III. Projects Where Work Was Performed Poorly

Based on the opinion of the specialist we hired, at least 81% (30 of 37) residences in the Neighborhood Revitalization Program had poor work performed. Below is an overview of the type of work performed poorly:

- ♦ Roofing:
 - 4 instances that the newly installed or repaired roof was leaking.
 - 2 instances where the wind turbines were not properly installed, which if not working, would shorten the life of the roof because of heat buildup.
- ♦ Exterior Windows & Doors:
 - 4 instances where the front or back doors were not properly screwed into the stud; therefore, those doors were not secure.
 - 3 instances where the windows were not properly replaced, and this included an instance where the security bar was not installed properly.
- ♦ Exterior:
 - 8 instances of poor exterior work on molding, soffits, and gutters.
 - 6 instances where the exterior was not prepared well for painting or was mildewing.
 - 8 instances where the exterior trim and siding were not cut to full length or sealed properly.
 - 1 instance where the skirting was not properly installed.
- ♦ Interior:
 - 8 instances where the flooring or base boards were not installed properly, with 2 instances of the floor not level.
 - 4 instances that the specifications called for tile to be installed; however, formica, which is less expensive, was installed.
 - 4 instances where interior painting was not completed or improperly textured.
 - 1 instance where a stove vent was not properly installed.
 - 1 instance where a mirror was not properly installed.
 - 1 instance where shelving was not installed.
- ♦ Heating & Air, Plumbing, and Electrical:
 - 4 instances that the heating/air conditioning unit was not installed properly.
 - 4 instances of the lavatory pipe not installed properly or where the commode was improperly anchored which is a safety risk.
 - 3 instances where the hot water heater was not installed properly.
 - 1 instance where the installed kitchen sink sprayer did not work.
 - 1 instance where the light switch was installed behind the door.
 - 1 instance where an alarm system was not installed.
 - 1 instance of missing electrical outlets.

The Department of Operational Services, Permits & Inspections Division, inspected 11 residences that were current 2009 programs that were not reviewed by our specialist. The same concerns of unfinished or sub standard work were found in 45% (5 of 11) of those residences.



IV. Contracting Without Appropriate Registration

We reviewed contractor license and registration requirements and noted at least one additional contractor who did not have proper registration. The contractor performed rehabilitation work for the Community Development Department during 2008, but was not properly registered with the Louisiana State Licensing Board for Contractors.

CONCLUSIONS

Based on the results of our investigation it is our opinion that some of these actions, if proven in a court of law, could constitute fraud.

As a result of the testwork we performed during this investigation, we documented other internal control weaknesses and will be providing an additional report concerning those issues for the Neighborhood Revitalization Program.